

**SUMMARY OF STATUS OF FINANCIAL STATEMENT AUDIT ISSUES
OFFICE OF THE SPECIAL TRUSTEE
DECEMBER 10, 1999**

| NO. | ISSUE | REF. NO. | DATE | COR- REC- TED (✓) | STATUS | RESP. OFF. | TARGET DATE |
|----------------------------|--|----------|---------|----------------------------|--|---------------------|--------------------|
| Material Weaknesses | | | | | | | |
| M-1 | Unreconciled Difference with Treasury / "Beginning" Cash Balance | 1 | 9/30/95 | | OST/OTFM, PMB, OMB & FMS held mtgs 05/12/99 and 06/03/99. Based on info provided, FMS developed a "Suggested Solutions" proposal. A followup mtg is being scheduled on the proposal. Audit comment should go away upon resolution of Treasury differences. (OST Action Plan A) | OST/PMB/ & Treasury | September 30, 2000 |
| M-2 | Undistributed Positive Interest Balance / IIM Subsidiary Positive Balances Greater Than Control Account Assets | 3 | 9/30/95 | | OTFM met with PMB on 05/11/99. Issue is integrated with resolution of M-1: a. Undistributed positive interest balance; b. IIM Subsidiary positive | OST/PMB | September 30, 2000 |

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| | | | | | balances are greater than control accounts' assets. (OST Action Plan A) | OST/PMB Funding Required | September 30, 2000 |
| M-3 | Area/Agency Offices – Tribal and IIM – Inconsistent Application of Accounting Policies and Procedures | 4 | 9/30/95 | | The standardization issue is considered resolved with the efforts to centralize accounting. Centralized accounting, pre-posting, and after-posting quality assurance review will correct this situation. (OST Action Plan B) | Chief, Division of Trust Funds Accounting, OTFM | March 31, 2000 |
| M-4 | Inadequate Internal Financial Reporting | 17 | 9/30/96 | ✓ | Resolved | OTFM | |
| M-5 | Areas/Agency Offices – Lack of Approval for Tribal Disbursement Transactions from the IIM Subsidiary System | 18 | 9/30/96 | | There was only one \$219,000 transaction noted as missing a Tribal resolution. A policy is in place to address these occurrences. The centralization of encoding/ accounting, that includes | Chief, Division Of Field Operations, OTFM | March 31, 2000 |

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| | | | | | pre-posting and after-posting quality assurance reviews, will alleviate this situation. (OST Action Plan B) (May need to publish regulations.) | | |
| M-6 | Area and Agencies - Tribal and IIM - Separation of Duties | 19a | 9/30/96 | | Presently, OTFM has only 15% of all collection officers. By using lock boxes, OTFM will assume 100% control over receipts received through lock boxes. BIA will update TAAMS information to create an accounts receivable, which will be offset by a lock box interface. (OST Action Plan B) | OTFM, Trust Operations Officer & Chief, Division of Trust Funds Accounting & BIA | Lock box arrangements will be implemented approximately 60 to 90 days after each TAAMS conversion. This is contingent upon BIA's establishment of accounts receivables in TAAMS. |
| M-7 | Areas/Agencies - Inconsistent Use of Policies & Procedures - Field | 19b | 9/30/96 | | The centralization of encoding/accounting, that includes pre-posting and | Chief, Div Of Trust Funds Accounting | March 31, 2000 |

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| | Aspects | | | | after-posting quality assurance reviews, will alleviate this situation. It has greatly strengthened the separation of duties, increased consistencies in the recording of transactions, and has made policy enforcement more effective. (OST Action Plan B) | | |
| M-8 | Areas/Agencies Offices – Inadequate Management Controls - IIM | 31 | 9/30/97 | | Same as above. Centralization will correct this situation. (OST Action Plan B) | Same as above | Same as above |
| M-9 | Missing Beneficiary Records – IIM | 32 | 9/30/97 | | a Existing hard copy files will be imaged via the imaging initiative The PILOT project is complete. A full implementation concept/plan is being developed and will be | IIM Reform Initiatives and Division of Trust Funds Accounting, OTFM | September 30, 2000 |

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| | | | | | presented by Contractor in January 2000. b. The centralization of accounting will aid in identifying missing mandatory documents and no disbursements will be made without mandatory documents. (OST Action Plan C) | IIM Reform Initiatives and Division of Trust Funds Accounting, OTFM | September 30, 2000 |
| M-10 | Improper Transaction Coding - Tribal and IIM | 33 | 9/30/97 | | Centralized encoding and pre-posting and after-posting quality assurance reviews will correct this situation. (OST Action Plan B) | Chief, Division Of Trust Funds Accounting, OTFM | March 31, 2000 |
| Reportable Conditions | | | | | | | |
| R-1 | Negative Tribal Cash Balances | 5a | 9/30/95 | | OTFM met with PMB on 05/11/99. Issue is integrated with resolution of M-1. | Officer in Charge of Handling Tribal Settlement | |

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| R-2 | IIM Investment Earnings (Earnings vs Receipts) - No IIM Reconciliation Process Was in Place to Reconcile the Cash Interest Received | 5b | 9/30/95 | ✓ | Resolved and concurred to by auditor as of 09/30/97 - will not appear on 1998 audit report on internal controls. | Chief, Division of Reports & Reconciliation, OTFM | |
| R-3 | IIM Special Deposit Accounts (Lack of Procedures & Untimely Distributions) | 7 | 9/30/95 | | a. OTFM is working with BIA to establish a policy to address establishment of special deposit accounts, as well as the monitoring of funds being deposited in existing special deposit accounts. | BIA & OST | September 30, 2000 |
| | | | | | b. A contractor will research existing balances for possible disposition. (OST Action Plan D) | BIA & OST | September 30, 2000 |
| R-4 | Ownership Records at Area & Agency Offices Are Not Updated in a Timely | 8 | 9/30/95 | | Corrective action is ongoing. TMIP/HLIP Subproject No 2 - BIA | BIA | June 30, 2000 |

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| | Manner | | | | Cleanup of the Trust Management Plan addresses this issue. | | |
| R-5 | No Formal Policies & Procedures for Investment Process | 9 | 9/30/95 | ✓ | This issue is considered resolved with the efforts of centralizing the encoding/accounting of all transactions. Numbered policies and procedures were issued. | Chief, Division Of Trust Funds Accounting, OTFM | |
| R-6 | No Accounts Receivable System for Trust Assets | 10 | 9/30/95 | ✓ | a. Accounts receivable in place for investment activities. b. Accounts receivable will be implemented with the implementation of TAAMS for natural resource activities. | OST BIA | |
| R-7 | Failure to Analyze Suspense Accounts | 20 | 9/30/96 | | These amounts are for activities prior to FY 1993. Meetings held with PMB, OMB & Treas. Issue is | OST/PMB | September 30, 2000 |

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| | | | | | integrated w/M-1. (Part of Treas reconciliation.) (OST Action Plan A) | | |
| R-8 | Investments – Lack of Reliable IIM Balance for Investing | 22 | 9/30/96 | | IIM subsidiary positive balances are greater than control account assets. Mtg held with PMB 05/11/99. Issue is integrated w/M-1. (Part of Treas reconciliation) (OST Action Plan A) | OST/PMB Funding Required | September 30, 2000 |
| R-9 | Investments - Accounting System Calculation Errors | 23 | 9/30/96 | ✓ | This item is considered resolved by OTFM. A temporary work-around procedure resolved this item, but permanent resolution became effective with the conversion of all Tribal accounts to TFAS | Chief, Division Of Trust Funds Accounting, OTFM | February 29, 1999 |
| R-10 | Special Deposit Accounts - Lack of Policies & Procedures and | 24 | 9/30/96 | | a. OTFM is working with BIA to establish a policy that will be | BIA & OST | September 30, 2000 |

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| | Inconsistent Practices | | | | implemented in FY 2000. This policy will address the establishment of special deposit accounts as well as the monitoring of funds contained in existing special deposit accounts. b. A contractor will research existing balances for possible disposition. (OST Action Plan D) | BIA & OST | September 30, 2000 |
| R-11 | IIM Interest Earnings - Inadequate System, Policies & Procedures | 25 | 9/30/96 | | IIM interest is being reconciled monthly. This activity is impacted and affected by volumes of activity and by various lease distribution systems. Although this issue is considered under control, it cannot be permanently | BIA | Implementation of TAAMS |

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| | | | | | resolved until TAAMS is fully implemented. | | |
| R-12 | Negative IIM Account Balances Included in Invested Balance | 26 | 9/30/96 | | IIM subsidiary positive balances are greater than control account assets. Meetings held with PMB, OMB & Treas. Issue is integrated w/M-1. (Part of Treas reconciliation.) (OST Action Plan A) | OST/PMB Funding Required | September 30, 2000 |
| R-13 | IIM Amortization/Accretion of Mortgage Backed Securities | 27 | 9/30/96 | ✓ | Resolved and concurred upon by auditor - should not appear in 1998 audit reports. | Chief, Division Of Trust Funds Accounting, OTFM | |
| R-14 | Trust Fund Balance Transfers Recorded Inconsistently ("BB's") | 28 | 9/30/96 | ✓ | Resolved and concurred upon by auditor - should not appear in 1998 audit reports | Chief, Division Of Trust Funds Accounting, OTFM | |
| R-15 | Accepting Funds Without Supporting Documentation - Tribal & IIM | 34 | 9/30/97 | | A policy is in place and combined with centralized. Centralized encoding/accounting | Chief, Division Of Trust Funds Accounting, OTFM | Conversions will be completed March 31, 2000 |

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| | | | | | includes pre-posting and after-posting quality assurance reviews. 9 of 12 regional locations have been converted to TFAS, including the Tribal accounts and the IIM pool accounts. (OST Action Plan B) | | |
| R-16 | Lack of Transfer Transaction Procedures in Cash & Overnight Investments - Tribal & IIM | 35 | 9/30/97 | ✓ | A resolution is in place through a work-around and procedures. | Chief, Division Of Trust Funds Accounting, OTFM | |
| R-17 | Lack of Manual Adjustment Procedures - Tribal & IIM | 36 | 9/30/97 | ✓ | Procedures are in place. | Chief, Division Of Trust Funds Accounting and Chief, Division of Quality Assurance, OTFM | June 1, '99 |
| R-18 | Inadequate Procedures Relating to Market Pricing | 37 | 9/30/97 | ✓ | Working procedures are in place Considered resolved | Chief, Div. Of Trust Funds | June 1, '99 |

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| | and Stated Market Values - Tribal & IIM | | | | | Accounting, OTFM | |
| Advisory Comments | | | | | | | |
| A-1 | EDP: Lacking Disaster Recovery Plans | 12 | 9/30/95 | ✓ | a. Implemented – TFAS b. Status can be obtained from BIA. | | Summer '99 (J Fiely to provide target date) |
| A-2 | EDP, Inadequate Password Controls (for A17 Mainframe) | 13 | 9/30/95 | ✓ | a. Implementation of TFAS will resolve accounting for OTFM. b. TAAMS – BIA will address. | OTFM BIA | |
| A-3 | EDP, Inadequate Application Change/Testing Controls (for A-17) | 14 | 9/30/95 | | This corrective action has not been completed A revised target date can be obtained from BIA. | BIA | |
| A-4 | Form 1099-INT Interest Reporting (Lacking SSNs - No 1099 Reporting) | 16 | 9/30/95 | | IIM accounts continue to have over 100,000 missing taxpayer IDs Many things feed into gathering this data including OMBs approval | Project Coordinator, IIM Reform Initiative | September 30, 2000 |

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| | | | | | for information collection and the need for account holders to verify their SSNs. This effort is time consuming and many land holdings that are inherited do not have current addresses for heirs or their SSNs. Backup withholdings will be addressed by Sept 2000 to Senior DOI officials. (OST Action Plan C) | | |
| A-5 | No Policies & Procedures for Overnight Investments & Interest Earnings Distribution | 29 | 9/30/96 | ✓ | Resolved and concurred with by auditor; comment will not appear in 1998 audit report. | Chief, Division Of Quality Assurance, OTFM | |
| A-6 | Fund Balance - Accepting Non-Trust Beneficiaries and Non-Trust Funds - Tribal & IIM | 40 | 9/30/97 | | OTFM & BIA are working together to resolve this issue. (OST Action Plan D) | OST/BIA policy work group. | TBD |
| A-7 | BIA Trust Responsibilities | 41 | 9/30/97 | | The implementation of | BIA | FY 2000 |

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| | in Field Office - Tribal and IIM | | | | TFAS, TAAMS and lock boxes will eliminate the majority of the items noted; however, this will not be totally resolved until FY 2000. | | |